

Budget in Brief



Proposed Budget for Fiscal Year 2013
Mark H. Luttrell, Jr., Mayor

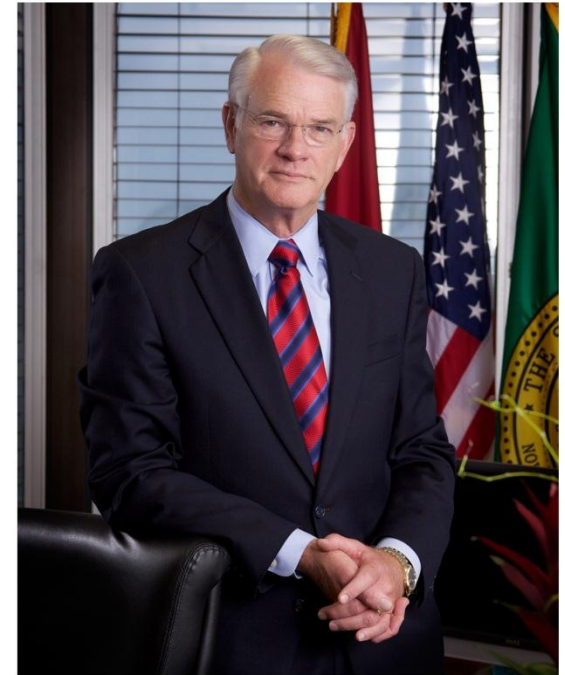


Message from the Mayor

To the Citizens of Shelby County:

I am pleased to present the Shelby County Proposed Budget for the Fiscal Year 2013. This "Budget in Brief" summary highlights important aspects of the budget in a concise format for citizen review. The complete budget document is also available on our website. Making financial and budgetary information readily accessible to the public is an important element of our ongoing efforts to be transparent, responsible and accountable in the management of County resources.

The budget for Fiscal 2013 was developed with the goal of providing services at the level the citizens of Shelby County expect while maintaining the current tax rate. Despite significant economic challenges, that goal has been achieved. Through the cooperative efforts of the Mayor's Administration, Elected Officials and the County Commission, this budget provides for the essential functions of public safety, education, health and environmental services, and economic development while sustaining the infrastructure and long term fiscal stability of Shelby County.



Sincerely,

A handwritten signature in black ink, which appears to read "Mark H. Luttrell, Jr.", is written over the printed name.

Mark H. Luttrell, Jr.
Mayor



Shelby County Board of Commissioners

Sidney Chism - Chairman, District 3, Position 2

Wyatt Bunker - Chairman Pro Tempore, District 4, Position 2

Mike Ritz - Budget Committee Chairman, District 1, Position 1



Walter L. Bailey, Jr. - District 2, Position 1

Brent Taylor* - District 1, Position 3

Justin J. Ford - District 3, Position 3

Steve Mulroy - District 5

Heidi Shafer – District, Position 2

Henri E. Brooks - District 2, Position 2

Melvin Burgess - District 2, Position 3

James M. Harvey - District 3, Position 1

Terry Roland - District 4, Position 3

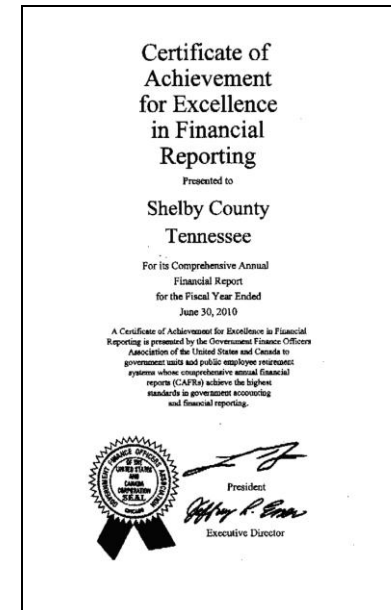
Chris Thomas - District 4, Position 1

**Not pictured – appointed by the County Commission in October 2011 to fill seat vacated by Mike Carpenter*



Financial Reporting Recognition

Shelby County has been recognized by the Government Finance Officers Association (GFOA) for meeting high standards in financial reporting in both the annual budget document and the comprehensive annual financial report (CAFR).



The major bond rating agencies have also recognized Shelby County's commitment to long term financial stability and the fiscal discipline to fund annual costs from annual revenues with ratings of AA+ by Fitch and Standard & Poors, and Aa1 by Moody's.



FY13 Proposed Budget Development

Goals for development of the proposed budget included:

- Balanced Budget
- No property tax increase
- No reductions to current service levels
- No layoffs
- No use of fund balance
- Salary increase for employees
- Continuation of debt reduction plan
- Expansion of some services in critical areas
- **THESE GOALS ACHIEVED FOR FY13**



FY13 Budget Challenges

Challenges to achieving our budget goals include:

- Declining property values and stagnant economy
- Limitations to alternate revenue sources
- Escalating costs of employee health care and pensions
- Non-reimbursable elections scheduled during FY13
- Need for cost of living/benefit adjustments for employees
- Maintenance of aging infrastructure of buildings/roads
- Growing community needs for health and social services
- Economic development and neighborhood revitalization



Response to FY13 Budget Challenges

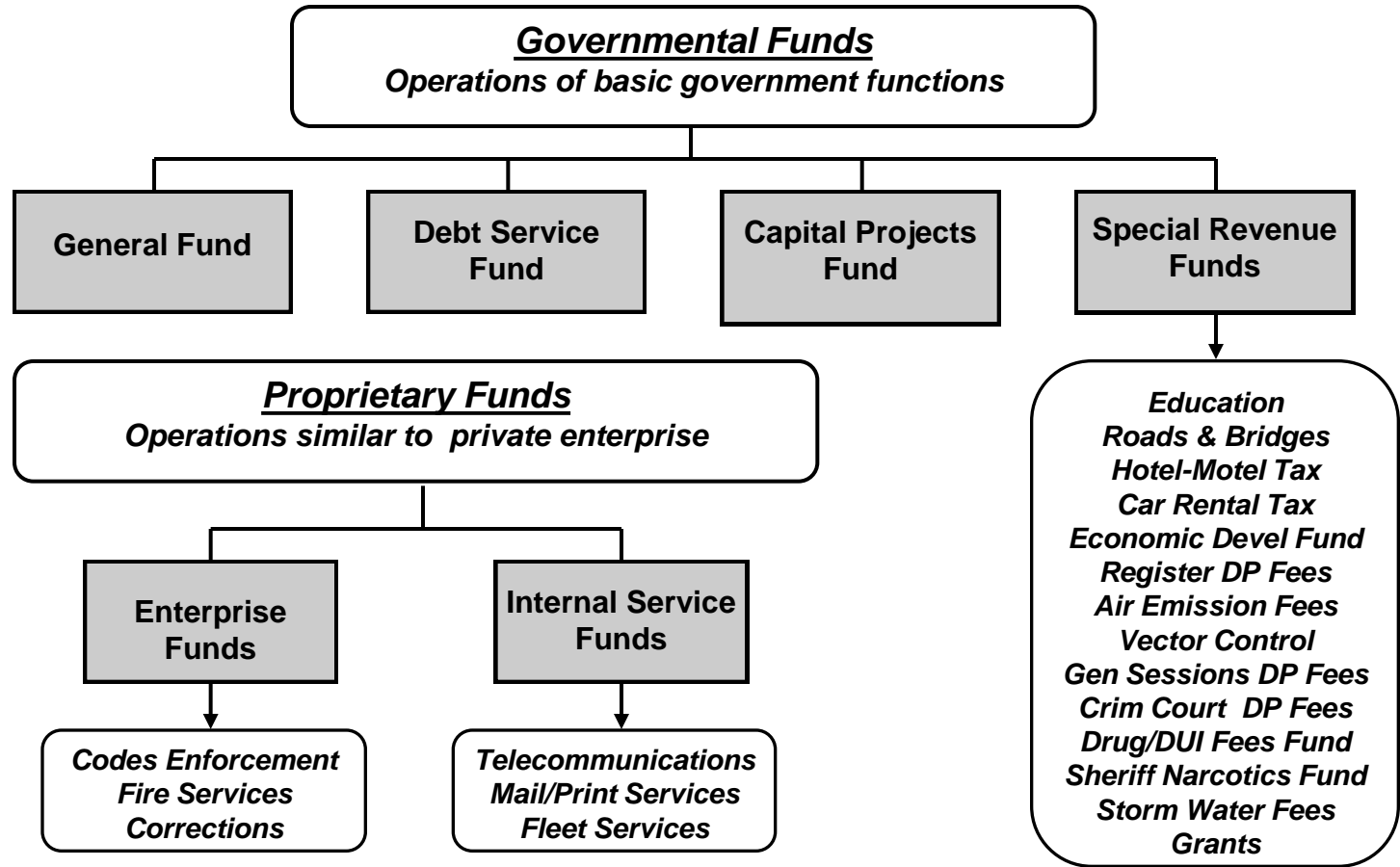
Factors that contributed to overcoming these challenges:

- Cooperation and commitment of all Elected Officials
- Savings from sale of Convention Center (\$1 million)
- End of funding commitment to Fast Forward (\$1 million)
- Eliminated 15 vacant positions and moved 10 positions to other funds
- Ongoing cost reduction initiatives and efficiencies
- Conversion of existing positions to provide expanded services in areas of critical need



Types of Operating Funds

The accounts of Shelby County government are organized on the basis of funds, with the operations of each fund accounted for in a separate set of self-balancing accounts that comprise the assets, liabilities, equity, revenues, expenditures and transfers for that fund.





Revenue Sources – All Funds

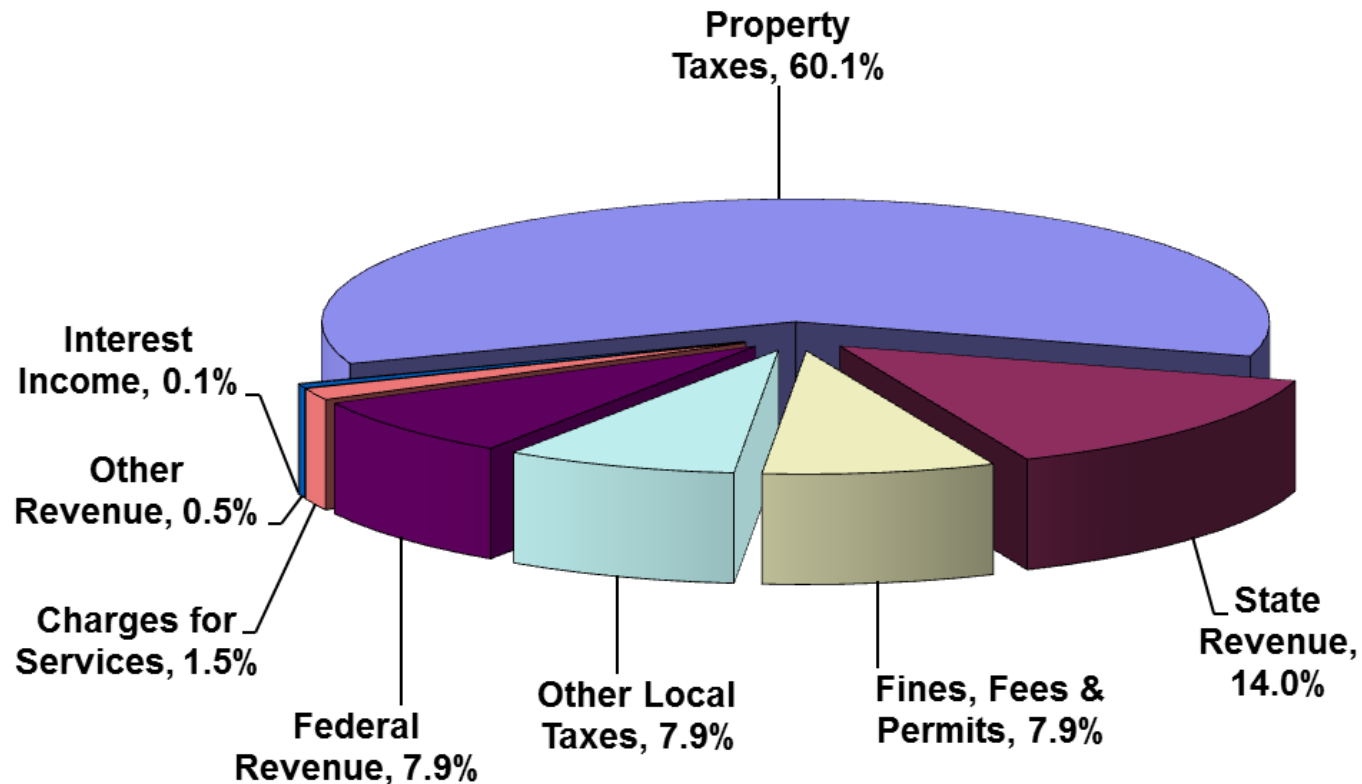
The annual budget is based on projected revenue for the fiscal period, based on historical trends and current economic factors. Property taxes account for over 60% of all revenue for Shelby County:

REVENUE SOURCES:

Property Taxes	\$ 714,042,000
Intergovernmental-State	166,482,460
Intergovernmental-Federal	94,273,320
Fines, Fees & Permits	94,082,800
Other Local Taxes	94,050,000
Charges for Services	18,266,095
Other Revenue	5,616,263
Interest Income	1,269,565
Total Revenue	\$ 1,188,082,503



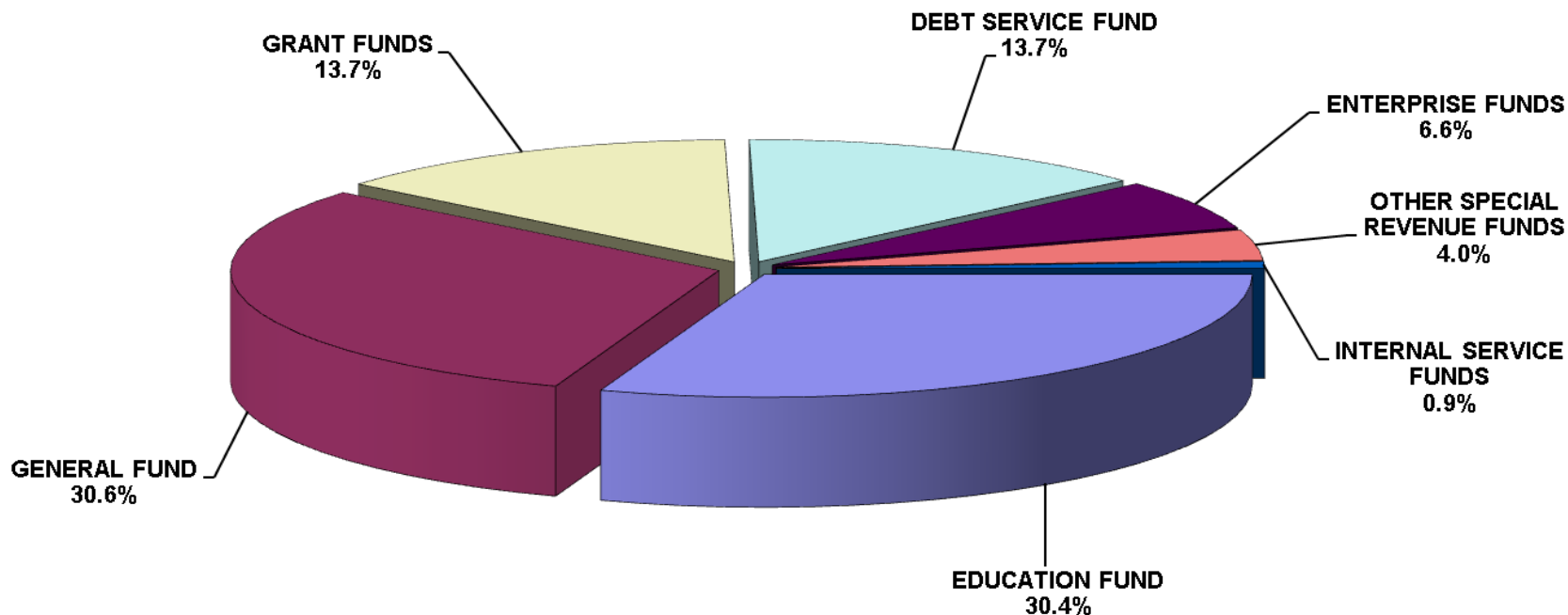
Revenue Sources – All Funds



Property Taxes provide over 60% of all revenue for Shelby County.



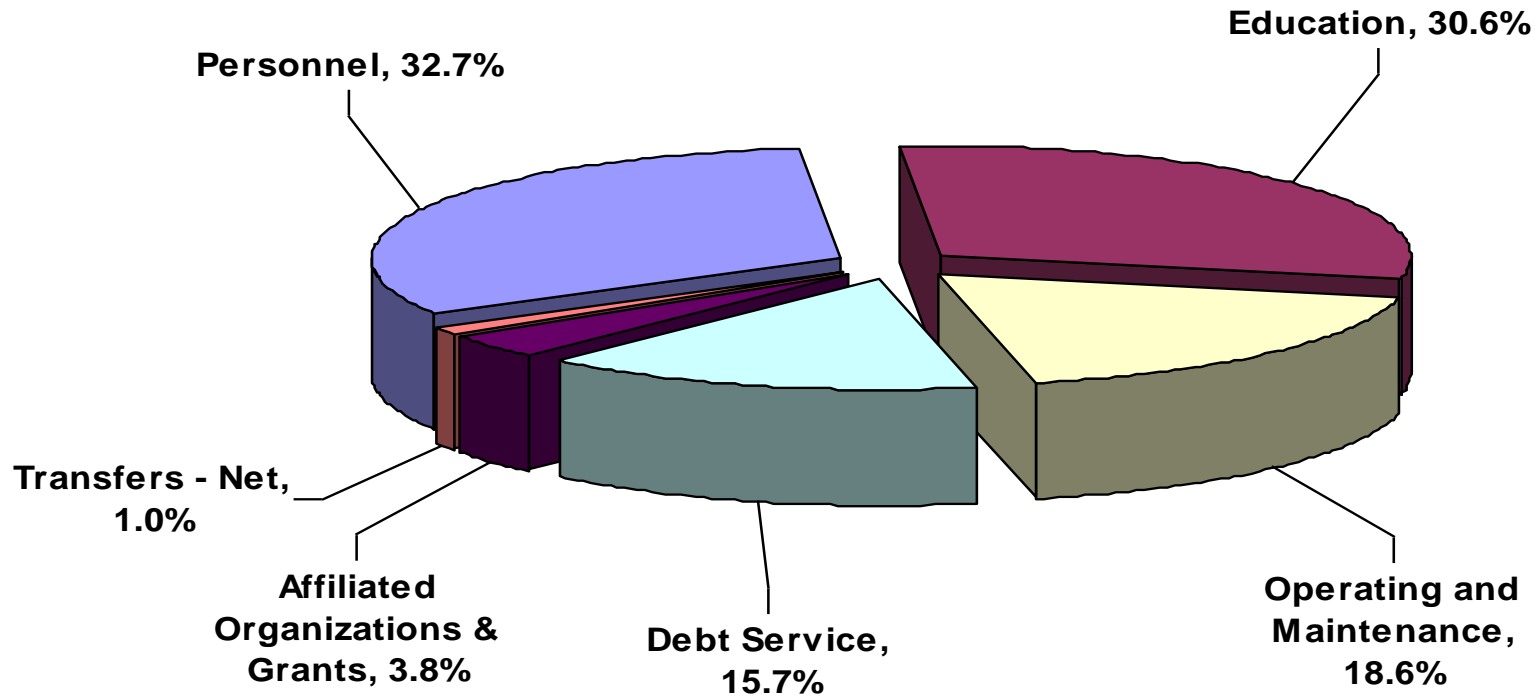
Operations by Fund Type



The Education Fund and the General Fund account for 61% of all Shelby County revenue and expenditures.



Expenditure Categories – All Funds



Personnel and Education account for 63% of all County expenditures.



Property Taxes

Property taxes provide the primary source of revenue for Shelby County. The property tax rate is set by ordinance each year with approval by the County Commission. The “**Penny Value**” represents the amount of revenue generated by each cent of the adopted tax rate. The Fiscal 2012 budget is based on a penny value of \$1,700,000.

The revenue generated from property taxes is distributed as follows:

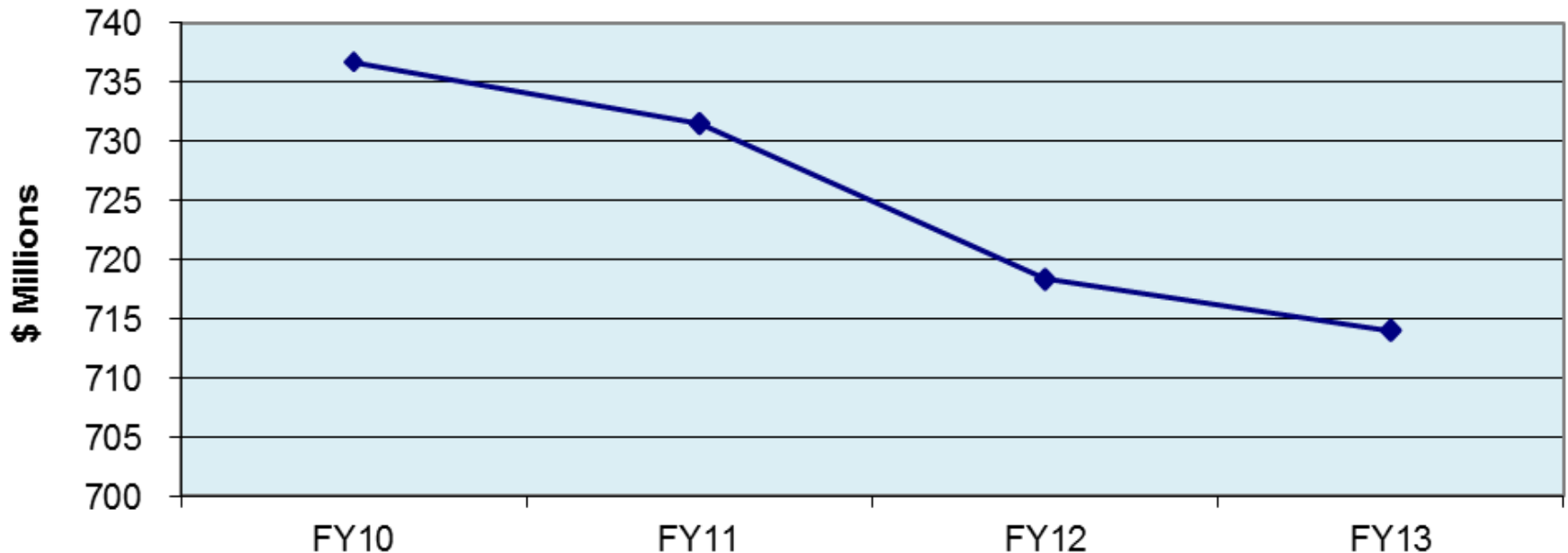
<u>Fiscal Year</u>	<u>FY12</u>	<u>FY11</u>	<u>FY10</u>
General Fund	\$ 1.36	\$ 1.33	\$ 1.23
Debt Service	0.75	0.79	0.81
Schools	1.91	1.90	1.98
Sub-total	\$ 4.02	\$ 4.02	\$ 4.02
Rural Schools	0.04	0.04	0.04
Total	<u>\$ 4.06</u>	<u>\$ 4.06</u>	<u>\$ 4.06</u>



Property Tax Revenue Trends

Property tax collections over the past several years reflect the national trend of declining real estate market values, foreclosures and reappraisal appeals.

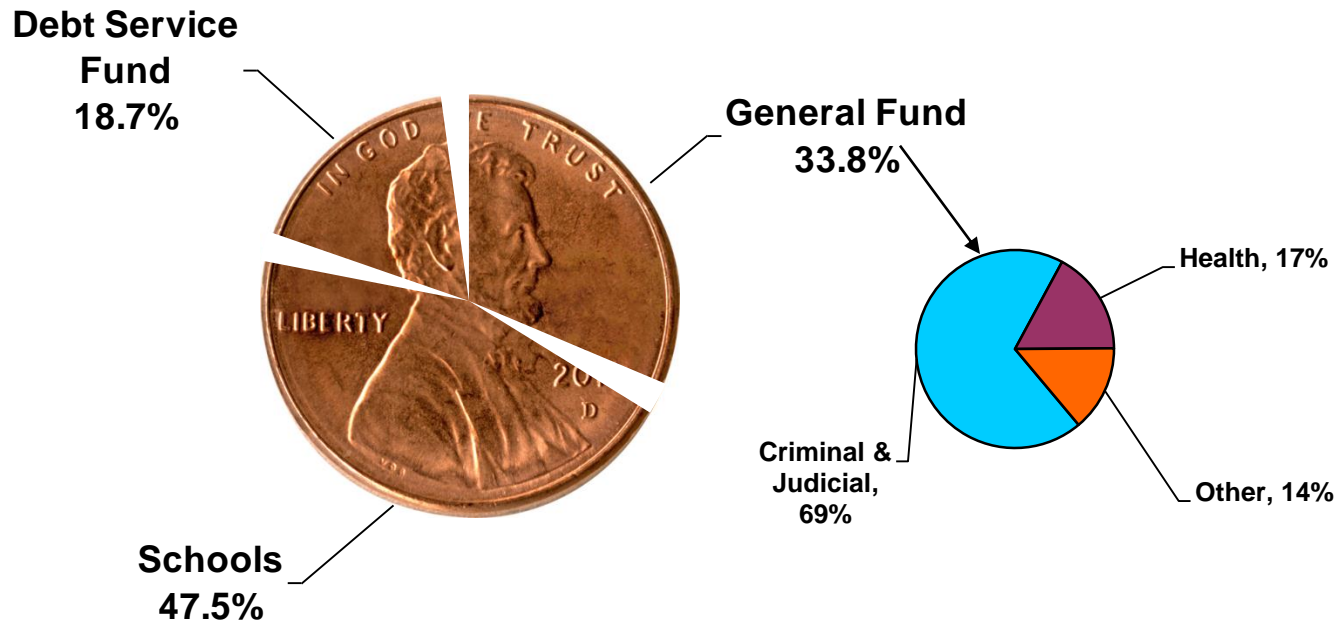
Property Taxes





Property Tax Allocations

Property tax revenue is allocated to Schools, Debt and the General Fund as follows:



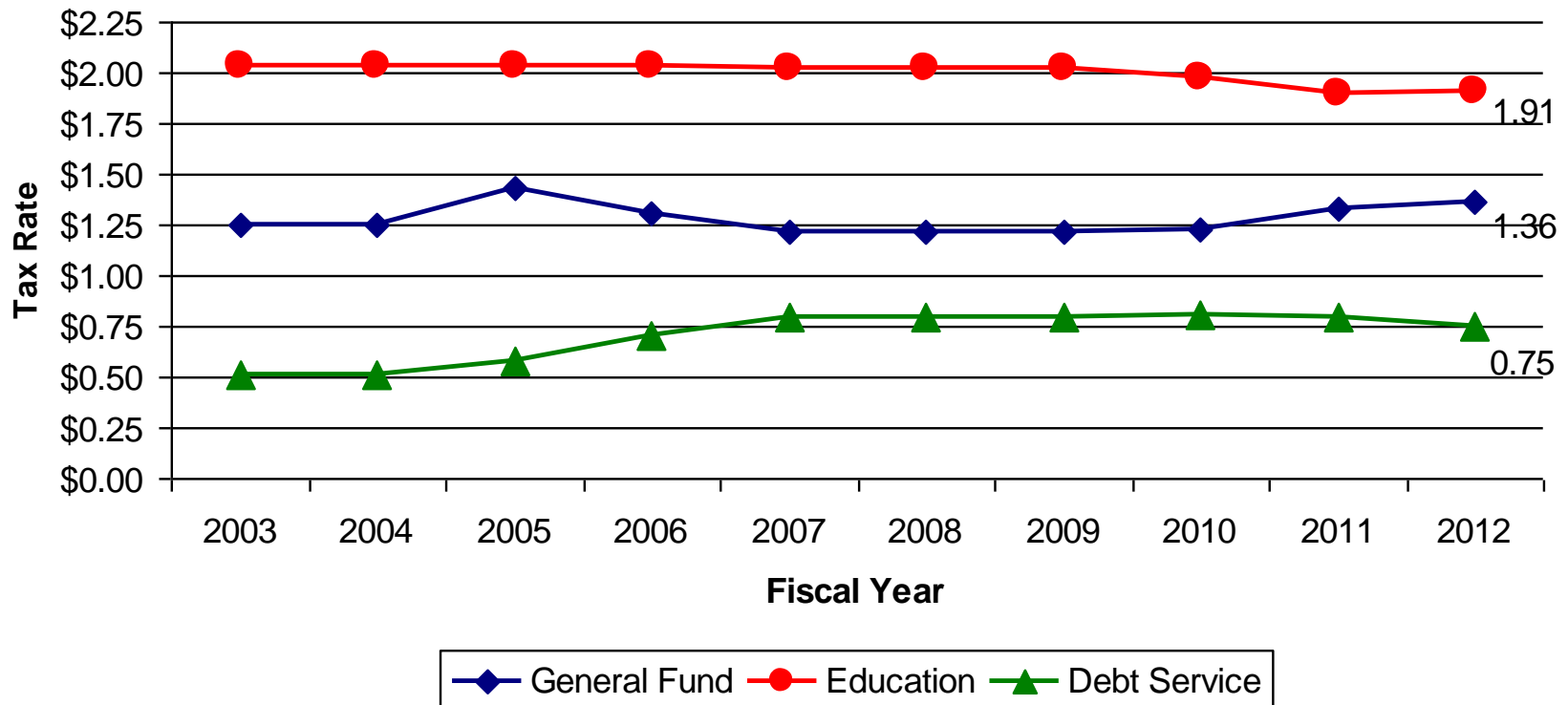
Including the portion of Debt Service allocated to Schools, Education receives 58.0% of all property taxes. Of the portion allocated to the General Fund (33.8%), about 69% is used for Criminal Justice Services, 17% for Health Services, and 14% for other support.



Property Tax Rate History

The use of property taxes for Education, Debt Service and General Fund operations is shown below for the past ten years.

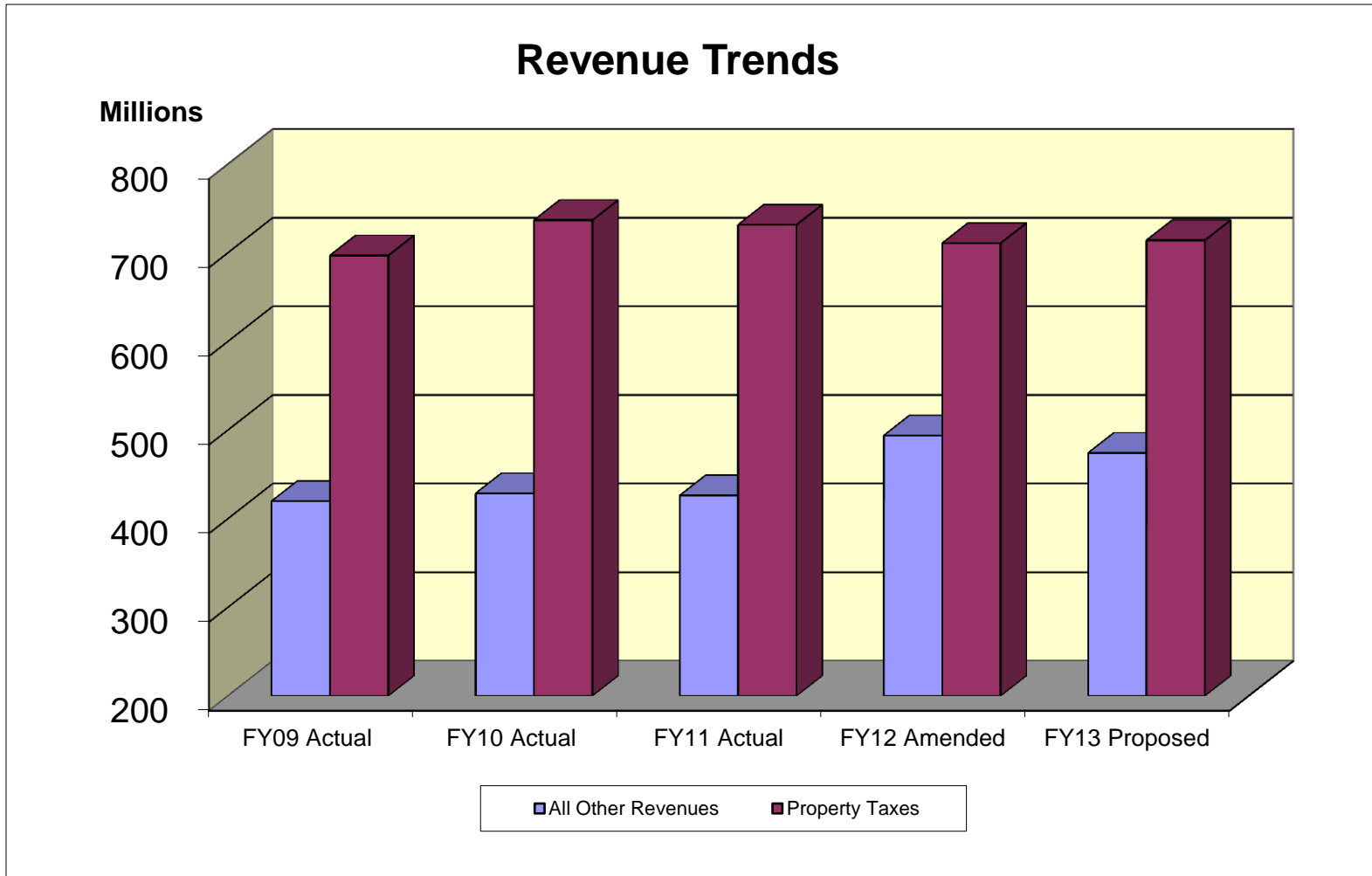
Direct Tax Rate Trends





Revenue Trends

Relative contribution of property taxes versus all other revenue sources is shown below:





General Fund Highlights

The General Fund is the primary operating fund for Shelby County, accounting for operations related to most of the basic services provided by a county government: - public safety, judicial systems, health and community services, and general administrative operations (see functional expenditures distribution on the following slide).

Property Taxes provide 66.1% of the revenue base for the General Fund. Other revenue sources include various Fines, Fees & Permits (17.3%), Other Local Taxes (8.5%) and revenues collected through the State (4.8%).

Personnel Expense accounts for 71.2% of all General Fund expenditures. Other expenditure categories include Operating and Maintenance costs (16.6%), Affiliated Organizations & Grants (8%- includes payment to the Regional Medical Center) and transfers to other funds (4.3%).

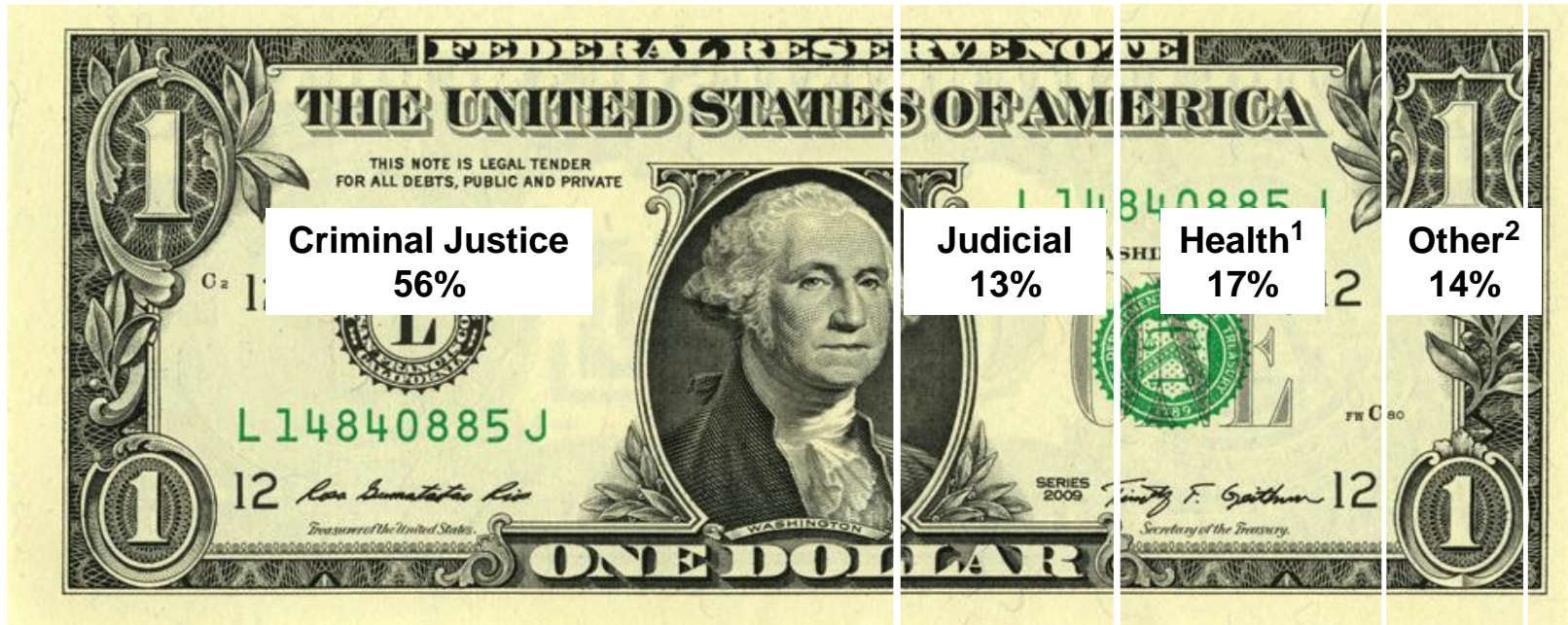
The General fund includes 3,831 FTE (Full Time Equivalent) employees for FY13 .
This represents a reduction of 46 positions since last year and over 400 positions over the past five years.

The General Fund total fund balance is projected to remain strong at about 23% of revenue.



How Your General Fund Tax Dollar is Spent

Funding for Criminal Justice services and programs is consistently the number one expense of the General Fund.

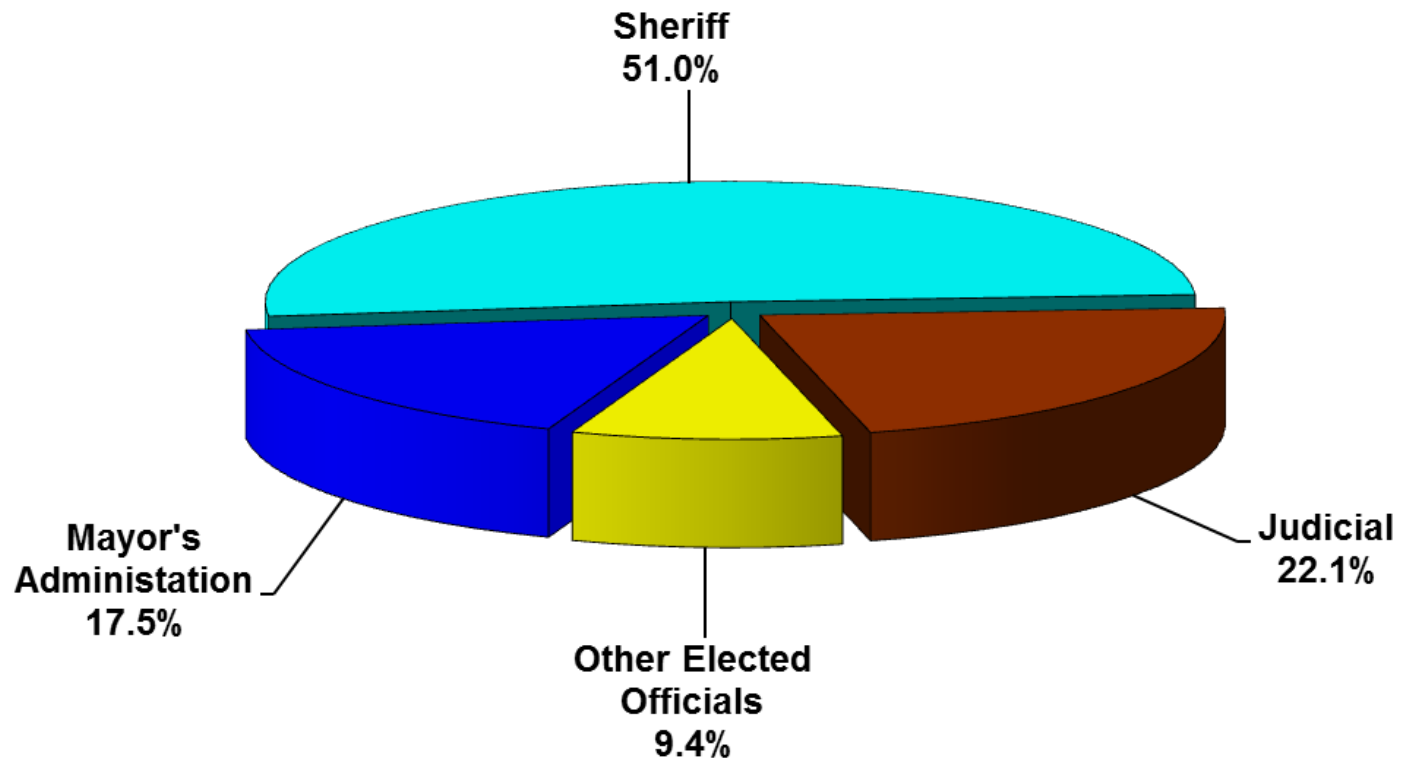


- 1) "Health" includes funding for the Regional Medical Center (The Med) of \$26.8 million
- 2) "Other" includes Administration and Support functions, Community Services and Public Works



Personnel Distribution (General Fund)

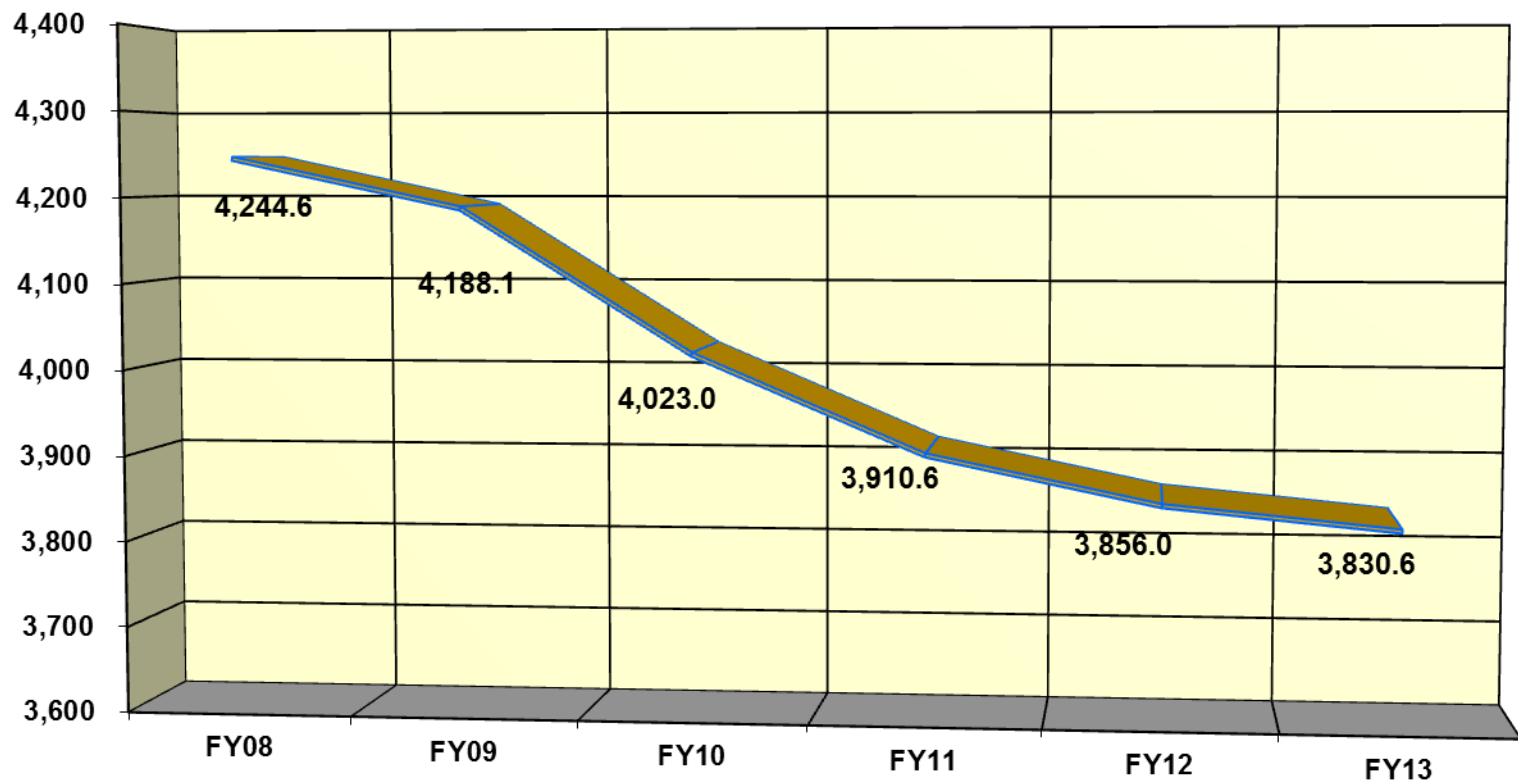
Over half of all positions in the General Fund are associated with the Sheriff's Office. Because public safety is a high priority for Shelby County, relatively fewer staff reductions have been made in this functional area.





Personnel Trends (General Fund)

Personnel accounts for 70% of all General Fund expenditures. To control the escalating costs of salaries and related benefits, a gradual workforce reduction plan has resulted in the reduction of over 400 positions in the past five years.





General Fund Balance

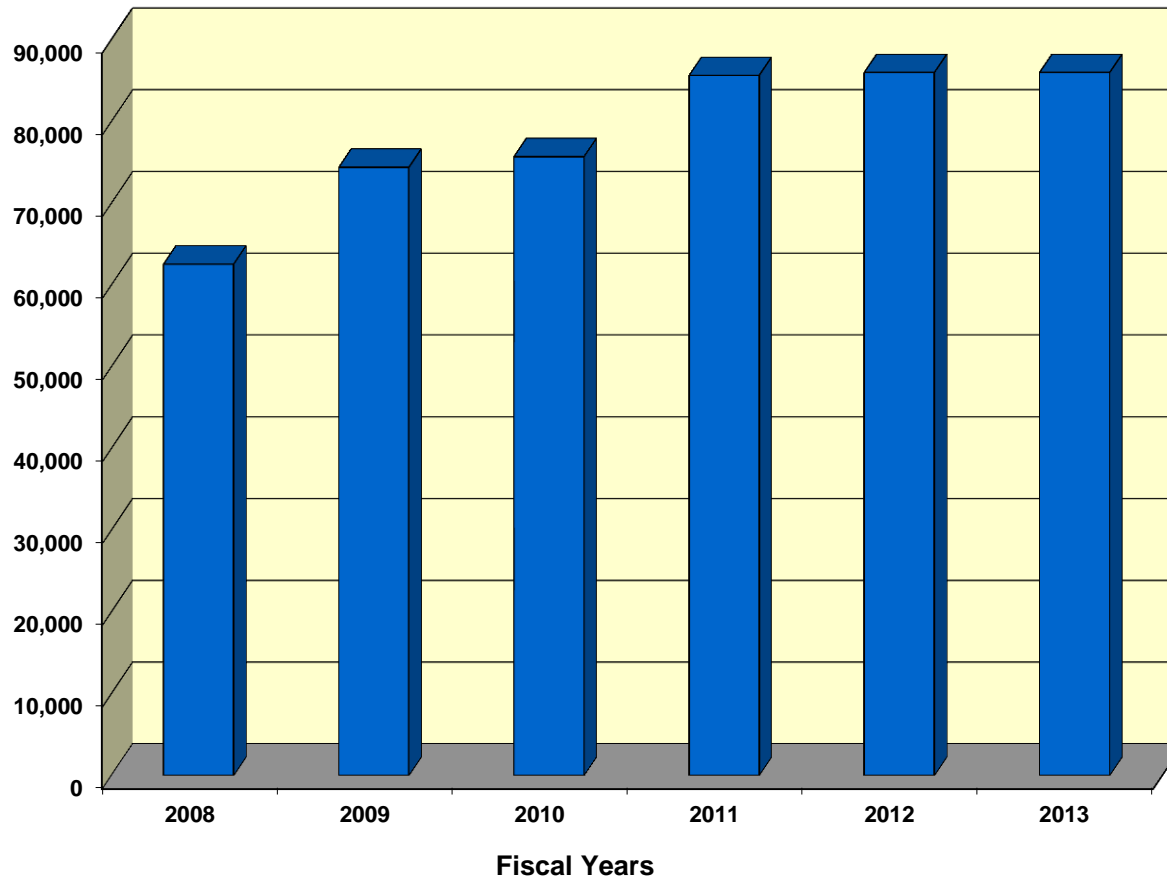
Fund Balance is a term used to express equity - the excess of what the County owns (assets) over what the County owes (liabilities) for a single fund. A healthy fund balance is important to financial planning and budgeting for the following reasons:

- To provide funds for unforeseen expenses or emergencies.
- To reduce the need for short-term borrowing by ensuring that sufficient cash flow is available.
- To demonstrate financial stability for higher bond ratings and lower cost of debt issuance.

Shelby County has maintained an average fund balance of over 23% of revenues over the past six years, as shown on the following page. This is well within the range of the 15-25% minimum specified by Shelby County policy.



General Fund Balance Trend



Total Fund Balance at June 30	\$62,563	\$74,393	\$75,694	\$85,635	\$86,000	\$86,000
Fund Balance as a % of Revenue	17.2%	20.8%	21.1%	23.3%	24.0%	23.7%



Enterprise Funds

Enterprise Funds account for operations that are financed and operated in a manner similar to that of a private business in that the costs of providing goods or services to the public are financed or recovered primarily through user charges or reimbursement. The Enterprise funds used by Shelby County include:

- The **Corrections Fund** accounts for the operation of corrections facilities. Revenues are received from the State of Tennessee based on actual costs incurred for housing state prisoners. (\$50.8 million)
- The **Fire Services Fund** accounts for the operations of the Fire Department. Revenues are received from fees charged for fire services in unincorporated Shelby County. (\$19.5 million)
- The **Consolidated Codes Enforcement Fund** accounts for operations of the Memphis and Shelby County Office of Construction Codes Enforcement. Revenues are generated through inspection fees charged by this office. (\$8.7 million)



Special Revenue Funds

Special Revenue Funds account for the proceeds of specified revenue sources that are legally restricted to expenditures for designated purposes.

Significant Special Revenue Funds (\$409.9 million in total) include:

- Education Fund (\$361.3 M)
- Grant Funds (\$167.8 M)
- Hotel-Motel Tax Fund (\$24.0 M)
- Roads & Bridges Fund (\$13.7 M)
- Economic Development Fund (\$13.0 M)
- Mosquito & Rodent Control Fund (\$3.6 M)
- Narcotics Funds (\$2.9 M)
- Car Rental Tax Fund (\$2.2 M)
- Air Emissions Fees Fund (\$.8 M)
- Data Processing Fee Funds (\$.6 M)
- Stormwater Fees Fund (\$.7 M)
- Drug Court/DUI Fees & Fines (\$.5 M)



The Education Fund

The Education Fund accounts for tax collections allocated for the operations of the Shelby County and Memphis City School Education. Education is a high priority for the County as shown by the fact that Education receives 58% of all property tax revenues, when both operating and debt service for the schools are considered. Education represents about 30% of total countywide expenditures or \$361.3 million.

Of the total amount budgeted for Education, the actual distribution of funds is based upon the weighted full-time equivalency (WFTE) Average Daily Attendance (ADA) ratio. The recent approval of consolidation for the two school systems will require future funding adjustments for both operating and capital budgets. The FY13 budget was based on the following ADA rate effective during budget development:



Memphis City Schools	68.0%
Shelby County Schools	32.0%



Capital Improvement Fund

The Capital Improvements Plan (CIP) Fund accounts for the acquisition and use of resources for the construction or purchase of major, long-lived assets or infrastructure. Some policies that guide CIP funding include:

- A five year plan is approved by the County Commission, but only the first year of the plan is included in the annual budget.
- Projects are prioritized based on the urgency of need and projected cost savings or improvements in efficiency or effectiveness for County government.
- \$55 million has been reserved in prior years for school funding to be determined by the Needs Allocation Committee. This funding has been deferred for FY13 pending resolution of funding needs and obligations as determined by the consolidation of City/County school systems.
- A maximum annual amount of \$75 million for CIP Projects has been set as part of the Debt Reduction Plan (includes debt and pay-as-you-go financing).
- All CIP projects are subject to approval and appropriation by resolution of the Board of Commissioners for the actual contract amount of the project.



Capital Improvement Projects

CIP Projects approved for FY13 with the use of \$19.9 million in County funding include:

- General Government Projects - \$2.9 million
Renovation of downtown Shelby County buildings (\$1.2 M), 157 Poplar Building (\$0.6 M), Emergency Operations Center (\$0.75 M) and the Agricenter.
- Information Technology - \$7.6 million
Replacement of existing Criminal Justice IT systems
- Public Works: Roads, Bridges, and Environmental Projects - \$3.2 million
Improvements to Fite Road, paving of the East Complex and Shelby Farms Greenline extension.
- Justice System Projects - \$5.2 million
Renovations to the Criminal Justice Center (201 Poplar), Sheriff Range Operations Building and Fingerprint ID System.
- Project Contingencies - \$1.0 million



Debt Service Fund

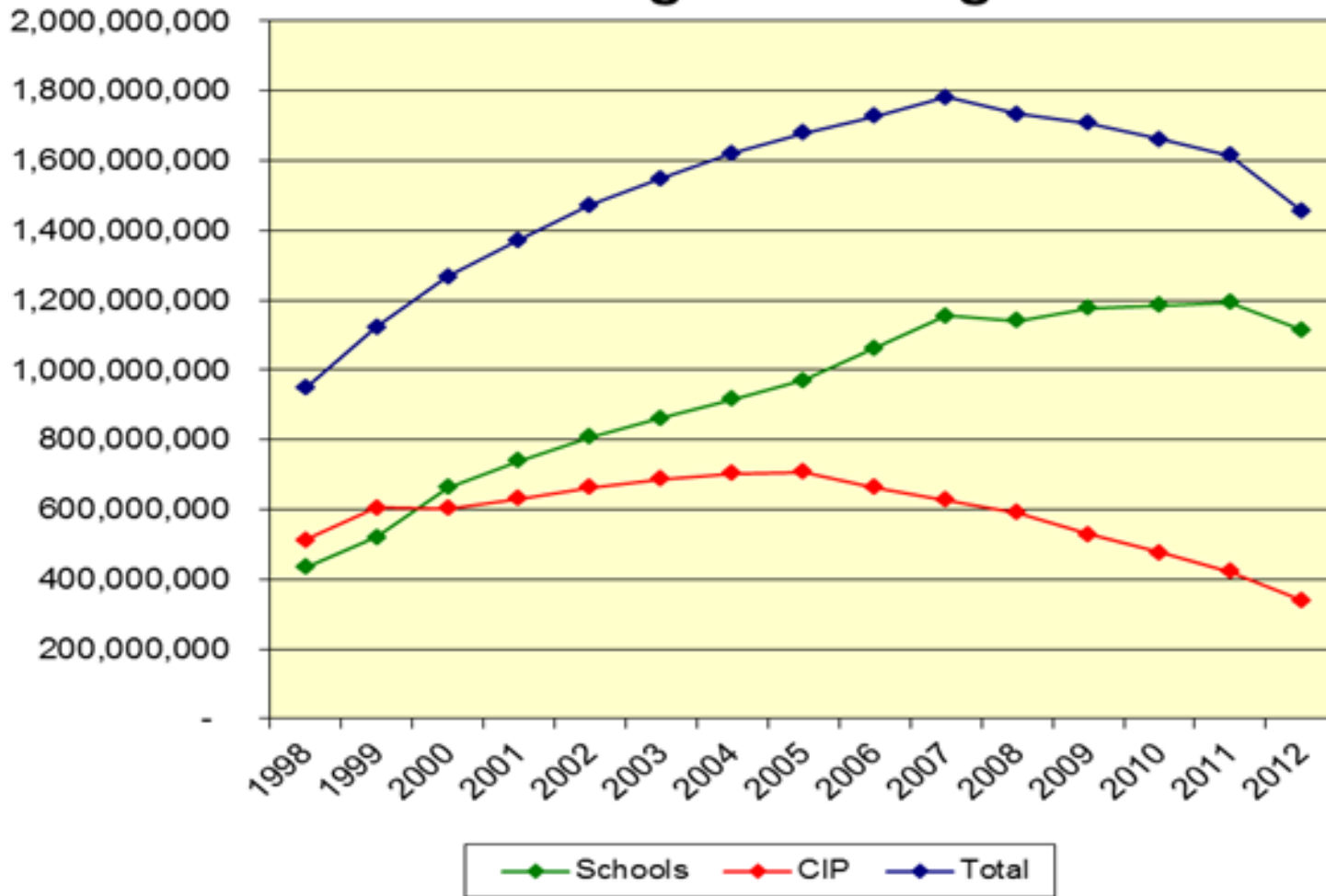
The Debt Service Fund accounts for the accumulation of resources for and payment of general long-term debt principal, interest and related expenses. Some policies that guide the use of debt funding include:

- Debt is issued primarily for school construction and major capital improvements, facilities and equipment with a cost in excess of \$100,000.
- Debt Service is funded primarily from property taxes, receiving 18.7% of the tax rate.
- The County's Debt Management/Reduction Plan provides for a gradual decline in outstanding debt and a reduction to debt service expense. At June 30, 2012, the outstanding bonded debt will be \$1.46 billion. That amount is expected to decline by about \$40 million per year going forward.
- The Debt Service Fund accounts for 14.9% of total County funds budgeted for FY13 with about \$163.3 million in debt service expenditures.
- The current % of general obligation debt in comparison to the 2011 assessed valuation is 7.69% (goal is < 12%). The amount of debt per capita is \$1,612 or 4% (goal is < \$2,000 or 6%).



Debt Service Trends

General Obligation Long Term Debt





Internal Service Funds

Internal Service Funds are used to account for the revenue and expenditures associated with goods or services provided by one department of county government to other departments on a cost reimbursement basis.

Shelby County maintains Internal Service Funds for the following operations:

Telecommunications \$4.0 million

Mail and Print Services \$2.8 million

Fleet Services \$3.7 million

The Printshop provides offset printing, graphic arts, digital copying, high speed duplication, engraving, framing and binding services for all departments of county government.





Looking Forward – Strategic Goals

Shelby County has identified the following strategic goals to serve as the basis for alignment of resource allocation with desired outcomes and performance:

- Promote Economic Development and a Healthy Economy
- Support Quality Public Education
- Protect and Promote Public Safety
- Protect and Promote Community Health
- Protect and Promote Environmental Quality
- Provide Sound Stewardship for County Resources

The complete Proposed Budget document for Fiscal 2013 and a “Budget in Brief” summary format are provided on the Shelby County website at:

shelbycountyttn.gov

